

Message Text

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PAGE 01 TOKYO 05860 01 OF 02 070549Z
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TO SECSTATE WASHDC PRIORITY 6866

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PASS COMMERCE FOR ASSISTANT SECRETARY WEIL

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TAGS: BEXP, JA, US
SUBJECT: PROPOSED U.S. TRADE MISSION TO JAPAN: PRODUCT
SUGGESTIONS I

REF: (A) TOKYO 5290, (B) USDOC 5360, (C) TOKYO 4782

1. SUMMARY: THIS MESSAGE INITIATES A SERIES OF DETAILED
EMBASSY SUGGESTIONS FOR PROPOSED MISSION. IN VIEW OF THE
NATURE OF THE JAPANESE MARKET AND LOCAL BUSINESS PRACTICES,
EMBASSY BELIEVES THAT OCTOBER MISSION SHOULD FOCUS ON LONG-
TERM MARKET DEVELOPMENT--SERVING AS VEHICLE FOR NEW-T0-
MARKET SUPPLIERS TO INITIATE CONTACTS LEADING TO CONTINUING
FUTURE BUSINESS--RATHER THAN ATTEMPT TO OBTAIN IMPRESSIVE
FIGURES BY SALES OF BIG TICKET ITEMS. PRODUCT COVERAGE
SHOULD BE AS BROAD AS POSSIBLE, BUT EMBASSY FEELS THAT
CONSUMER PRODUCTS, HIGH-TECHNOLOGY COMPUTERS AND OTHER
ELECTRONIC ITEMS, AND VARIOUS TYPES OF INSTRUMENTS OFFER
THE MOST PROMISE. OTHER CATEGORIES OF INTEREST WOULD BE
MATERIALS HANDLING EQUIPMENT, MOTOR VEHICLE PARTS, BUILD-
ING MATERIALS, FOOD PROCESSING AND PACKAGING MACHINERY,
AND GRAPHIC ARTS EQUIPMENT. WE SUGGEST THAT IN RECRUITING
MEMBERS, COMMERCE EMPHASIZE THE CHALLENGES AND HARD WORK
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PAGE 02 TOKYO 05860 01 OF 02 070549Z

U.S. EXPORTERS MUST EXPECT TO FACE IN ORDER TO REAP THE
REWARDS OF SELLING IN JAPAN. END SUMMARY.

2. THIS IS FIRST OF A SERIES OF EMBASSY MESSAGES WITH SUG-
GESTIONS ON OBJECTIVES, PRODUCT COVERAGE, FORMAT, STRUCTURE,
LOGISTICS, AND BUDGET FOR PROPOSED LARGE-SCALE OFFICIAL
U.S. TRADE MISSION TO JAPAN IN OCTOBER. THIS MESSAGE

CONTAINS GENERAL COMMENTS ON OBJECTIVES AND PRODUCT COVERAGE. SEPTELS WILL FOLLOW ON OTHER ASPECTS. ADDITIONAL MESSAGES WILL OFFER MORE SPECIFIC PRODUCT SUGGESTIONS, INFORMATION, AND ANALYSIS.

3. OBJECTIVES: OUR BASIC OBJECTIVE SHOULD BE TO SIGNIFICANTLY INCREASE THE NUMBER OF U.S. FIRMS SELLING TO JAPAN ON A PERMANENT BASIS. THE SIZE OF THE U.S.-JAPAN TRADE DEFICIT AND URGENT NATURE OF ITS POLITICAL RAMIFICATIONS COULD ARGUE FOR MISSION GOAL OF IMMEDIATE SALES OF BIG TICKET ITEMS, SUCH AS AIRCRAFT, INDUSTRIAL MATERIALS, AND INTERMEDIATE GOODS. WHILE SUCH SALES POSSIBILITIES SHOULD NOT BE OVERLOOKED, IN VIEW OF THE PRESENT CHARACTERISTICS OF THE JAPANESE MARKET AND BUSINESS SYSTEM, WE BELIEVE THAT THE MISSION SHOULD EMPHASIZE A LONG-TERM MARKET DEVELOPMENT APPROACH. THE MISSION SHOULD SERVE AS A VEHICLE FOR NEW-TO-MARKET SUPPLIERS TO MAKE CONTACTS. RELATIONSHIPS SO ESTABLISHED, IF FOLLOWED UP REGULARLY, CAN LEAD TO CONTINUING SALES. IMMEDIATE RESULTS ON BASIS OF FIRST MEETING SHOULD NOT BE EXPECTED. JAPAN IS A LARGE AND WORTHWHILE MARKET, BUT ENTRY IS NOT EASY. EMBASSY SUGGESTS THAT IN MISSION MEMBER RECRUITMENT EFFORTS, COMMERCE SHOULD STRESS THE CHALLENGES, COSTS, DIFFICULTIES, HARD WORK AND RISKS INVOLVED IF U.S. EXPORTERS ARE TO REAP THE RICH REWARDS. ANY POTENTIAL MISSION MEMBER LED TO EXPECT QUICK SALES IS BOUND TO BE DISAPPOINTED.

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PAGE 03 TOKYO 05860 01 OF 02 070549Z

4. KEY MARKET DEVELOPMENT FACTORS: JAPAN, WHILE AN INDUSTRIALIZED COUNTRY AND OECD MEMBER, HAS SEVERAL UNIQUE FEATURES WHICH DISTINGUISH IT FROM EUROPEAN AND NORTH AMERICAN MARKETS. BUSINESS DECISIONS ARE MUCH MORE PERSONAL; GROUP CONSENSUS IS IMPORTANT WHICH MEANS THAT DECISION-MAKING TAKES TIME. JAPANESE BUSINESSMEN TAKE A LONG-TERM VIEW AND EXPECT PERMANENCE IN BUSINESS RELATIONSHIPS, WITH MUTUAL SUPPORT IN ADVERSE TIMES. SHORT-TERM COST OR ECONOMIC ADVANTAGES MAY BE FOREGONE IF A JAPANESE BUYER IS NOT CONVINCED THAT A POTENTIAL NEW SUPPLIER WILL STILL BE AROUND IF OTHER CUSTOMERS BECOME MORE ATTRACTIVE. HE TAKES A LOT OF CONVINCING TO BE REASSURED THAT THE FOREIGN SUPPLIER WILL NOT BE HERE TODAY AND GONE TOMORROW. REGULAR CONTACT IS IMPORTANT; THE U.S. EXPORTER UNWILLING TO RECOGNIZE THESE MARKET FACTORS MIGHT JUST AS WELL STAY HOME. IF HIS PRODUCT IS OVERWHELMINGLY NEEDED IN JAPAN, A JAPANESE TRADING COMPANY WILL MAKE AN OFFER--AND THE PROFITS.

5. GENERAL PRODUCT COVERAGE: WHAT U.S. PRODUCTS SELL IN JAPAN? MATERIALS NOT AVAILABLE IN RESOURCE-POOR JAPAN,

INDUSTRIAL PRODUCTS ON THE LEADING EDGE OF ADVANCED TECHNOLOGY, HIGH-QUALITY INDUSTRIAL PRODUCTS, AND CONSUMER GOODS CONTRIBUTING TO AN IMPROVED LIFE-STYLE FOR THE MILLIONS OF WHITE COLLAR AND PRODUCTION WORKERS WHO, THANKS TO PAST RAPID ECONOMIC GROWTH, ARE NOW SOLIDLY WITHIN MIDDLE-CLASS RANKS.

6. EMBASSY HAS REVIEWED BEST PROSPECTS REPORT, DRAFT OF JAPAN SECTORAL STUDY, AND VARIETY OF OTHER SOURCES RELATING TO CONSUMER PRODUCTS SUCH AS JETRO, TRADE OPPORTUNITY SUBMISSIONS, FOREIGN BUYER GROUP REPORTS, AND MARKET RESEARCH

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PAGE 01 TOKYO 05860 02 OF 02 070553Z
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TO SECSTATE WASHDC PRIORITY 6867

UNCLAS SECTION 02 OF 02 TOKYO 05860

PASS COMMERCE FOR ASSISTANT SECRETARY WEIL

REPORTS. CONSIDERING IMPORT MARKET SIZE AND DIRECTION, AND NEAR-TERM ECONOMIC PROSPECTS, WE SUGGEST RECRUITMENT OF MISSION MEMBERS WITH INTEREST IN THE FOLLOWING PRODUCT CATEGORIES (WEIGHTS INDICATED APPROXIMATE 1976 IMPORT VALUES IN BILLIONS OF YEN FOR U.S.-ORIGIN GOODS):

CATEGORY	WEIGHT
CONSUMER PRODUCTS	150
COMPUTERS AND PERIPHERALS	75
ELECTRONIC COMPONENTS AND PRODUCTION/TEST EQUIPMENT	75
MATERIALS HANDLING EQUIPMENT	14
MOTOR VEHICLE PARTS	12
BUILDING MATERIALS	12
INSTRUMENTS, OTHER THAN MEDICAL	11

FOOD PROCESSING AND PACKAGING MACHINES 6
BIOMEDICAL INSTRUMENTS, ANALYTICAL
MATERIALS AND EQUIPMENT 5
PRINTING INDUSTRY EQUIPMENT 5

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PAGE 02 TOKYO 05860 02 OF 02 070553Z

7. FASTEST GROWING GROUPS ARE CONSUMER PRODUCTS, BIOMEDICAL INSTRUMENTS, AND, DURING TIME JAPAN IS STILL DEVELOPING A HIGH-TECHNOLOGY ELECTRONICS INDUSTRY, ELECTRONIC PRODUCTION/TEST EQUIPMENT, COMPONENTS, AND COMPUTERS. FUTURE GROWTH IS SEEN IN FOOD PROCESSING/PACKAGING MACHINERY AND PRINTING AND GRAPHIC ARTS. SUBSTANTIAL OPPORTUNITIES FOR GENERAL INDUSTRIAL MACHINERY ARE LESS LIKELY UNTIL REFLATION OF JAPANESE ECONOMY WORKS OFF THE PRESENT OVERCAPACITY IN BASIC INDUSTRIES, ALTHOUGH POSSIBILITIES FOR SPECIALIZED INDUSTRY EQUIPMENT SALES EXIST. CONSUMER PRODUCTS AND ELECTRONICS OFFER GOOD GROUND FOR RECRUITING SINCE THERE ARE LARGE NUMBER OF MEDIUM SIZE FIRMS WITHOUT PRIOR JAPAN EXPERIENCE.

8. ADDITIONAL TELEGRAMS WILL INCLUDE MORE SPECIFIC PRODUCT SUGGESTIONS. MANSFIELD

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